

Message Text

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C O N F I D E N T I A L SECTION 1 OF 2 MOSCOW 12100

USDOC FOR BEWT

E.O. 11652: GDS
TAGS: GBEN, EEWT, EMIN, ETEL, SCUL, PROP, UR, US
SUBJECT: SOVIETS PUT HEAT ON SATRA TO DROP OLYMPIC TELEVISION
RIGHTS LAWSUIT

SUMMARY: SATRA CORPORATION CHAIRMAN OZTEMEL TOLD
AMBASSADOR AUGUST 19 THAT HE HAD BEEN "INVITED" URGENTLY
TO MOSCOW TO RECEIVE VEILED SOVIET THREAT TO DROP LAWSUIT
OVER OLYMPIC TELEVISION BROADCASTING RIGHTS VERSUS
NATIONAL BROADCASTING COMPANY AND INTERNATIONAL OLYMPIC
COMMITTEE OR FACE POSSIBLE LOSS OF SOVIET BUSINESS (SATRA
CLAIMS TO HANDLE \$100 MILLION ANNUALLY IN SOVIET EXPORTS
TO US). OZTEMEL SAID SOVIET "STICK" WAS BALANCED BY
"CARROT" OF ASSURANCES ON CONTINUED CHROME SUPPLIES OR
SUPPLEMENTAL BUSINESS IF LAWSUIT DROPPED. HE SAID SATRA
HAD NOT TOTALLY ABANDONED IDEA OF SEPARATE SUITE AGAINST
USSR ALTHOUGH PROSPECTS OF EFFECTIVE REMEDY WERE
SLIGHT AND PROBABLY LOSS OF FUTURE BUSINESS WOULD BE GREAT.
HE CONFIRMED THAT SOVIET CHROME PRODUCTION IS DOWN, DUE
TO FAULTY HANDLING OF SWITCH TO UNDERGROUND MINING.
END SUMMARY.

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1. ARA OZTEMEL, CHAIRMAN OF THE BOARD AND CHIEF
EXECUTIVE OFFICER OF SATRA CORPORATION, ACCOMPANIED BY
GILBERT MATHIEU, PRESIDENT OF GREG-GARY INTERNATIONAL
LIMITED (TORONTO), CALLED ON AMBASSADOR AUGUST 19 TO
DESCRIBE SATRA'S CASE VERSUS NBC AND IOC AND TO RELATE
NEWEST PROBLEM OF SOVIET PRESSURE TO DROP TELEVISION
RIGHTS LAWSUIT. BY WAY OF INTRODUCTION HE EXPLAINED THAT

HE HAD BEEN DOING BUSINESS WITH USSR SINCE 1952, PRIMARILY HANDLING SOVIET EXPORTS WHICH ACCOUNT FOR ABOUT \$100 MILLION BUSINESS ANNUALLY FOR SATRA, AND THAT SATRA DOES QUITE A BIT OF SELLING IN USSR FOR US STEEL, BORG WARNER, ITT, JOHNSON AND JOHNSON, ETC.

2. EXPLAINING THAT HE COMES TO USSR ABOUT MONTHLY, OZTEMEL RELATED THAT THIS VISIT HAD NOT BEEN PLANNED. HE HAD RECEIVED AN "URGENT INVITATION" TO COME TO DISCUSS THE PROBLEMS RELATING TO THE TELEVISION RIGHTS TO THE 1980 OLYMPIC GAMES AND HAS BEEN "STRUGGLING ALL WEEK" WITH SOVIET OFFICIALS. OZTEMEL STATED THAT SATRA HAD A SIGNED AGREEMENT WITH SOVIET OLYMPIC COMMITTEE THAT HAD NOT BEEN FULFILLED. ON THE PERSONAL ADVICE OF HIS WASHINGTON LAWYERS SATRA HAD FILED SUIT VERSUS NBC ON GROUND OF INTERFERENCE WITH CONTRACT, TOGETHER WITH ACTION ON ANTI-TRUST GROUNDS. ACTION AGAINST IOC WAS BASED ON "SIMPLE DECEIT" BECAUSE IOC HAD SCHEDULED A MEETING TO DISCUSS SATRA'S ACCEPTABILITY TO HANDLE OLYMPIC TELEVISION BROADCASTING RIGHTS AT SAME TIME NBC DISTRIBUTED PRESS RELEASE SAYING IOC DID NOT APPROVE OF SATRA. IN SUBSEQUENT MEETING IOC CALIMED THAT SATRA HAD NEITHER BEEN APPROVED NOR DISAPPROVED BECAUSE SOVIET OLYMPIC COMMITTEE HAD NOT SENT NECESSARY DOCUMENTATION. OZTEMEL MAINTAINED THAT DOCUMENTS IN QUESTION WERE SENT IN TWO CHANNELS, DIPLOMATIC AND ANOTHER, BUT SAID HE CONFIDENTIAL

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IS NOT IN POSITION TO PROVE RECEIPT BY IOC. ASKED BY AMBASSADOR IF SOVIET GOVERNMENT IS STANDING ASIDE IN LEGAL DISPUTE, OZTEMEL REPLIED IN NEGATIVE. HIS "INVITATION" STEMMED FROM FACT THAT AT LEAST ONE OF THEM (NBC OR IOC) IS "SQUEEZING" SOVIETS. LATTER SHOWED HIM LETTER FROM IOC TO DEPUTY CHAIRMAN OF USSR COUNCIL OF MINISTERS (LEONID V.) SMIRNOV, STATING THAT UNLESS SATRA DROPPED ITS LAWSUIT, NO PENDING CONTRACTS WITH THE USSR WOULD BE APPROVED BY THE IOC. THE SOVIETS ARE INSISTING THAT THE MATTER BE RESOLVED. OZTEMEL RELATED THAT HIS OLD FRIEND, DEPUTY MINISTER OF FOREIGN TRADE NIKOLAY D. KOMAROV, HELD TWO SESSIONS WITH HIM IN WHICH KOMAROV EMPHASIZED HIGH OPINION OF OZTEMEL AS OLD COMMERCIAL PARTNER. HOWEVER, WHEN VLADIMIR J. KOVAL, DEPUTY CHAIRMAN OF THE OLYMPIC ORGANIZAING COMMITTEE, ENTERED DISCUSSION, THE STORY CHANGED. THE THRUST WAS THEN THAT PERSISTENCE BY SATRA IN ITS LAWSUIT COULD ALTER THE BUSINESS RELATIONSHIP IT ENJOYED WITH THE USSR.

3. ASKED WHAT SATRA PLANNED TO DO, OZTEMEL SAID THE "SURPRISING THING" IS THAT SATRA HAS NOT TOTALLY EXCLUDED INVOLVING USSR IN ITS LAWSUIT, ALTHOUGH

SEPARATELY. AT OUTSET IT HAD BEEN DECIDED NOT TO INVOLVE SOVIETS PRIMARILY BECAUSE CHANCES OF RECOVERY OF DAMAGES WERE DEEMED LOW, BUT ALSO BECAUSE OF THE POTENTIAL LOSS OF FUTURE SOVIET BUSINESS. HOWEVER, THIS COURSE OF ACTION IS STILL NOT TOTALLY EXCLUDED. THE AMBASSADOR INQUIRED IF SATRA FELT THE SOVIETS WOULD MAKE GOOD THEIR IMPLIED THREAT TO CUT BACK BUSINESS WITH SATRA. OZTEMEL HAD HIS DOUBTS: THE ROLE OF SATRA IS PRIMARILY AS A BUYER, AND THE TRADE IS NOT SEASONAL. MOREOVER, HE QUESTIONED THE LEGAL ADVICE THAT NBC AND IOC ARE GETTING, FOR THE DAMAGES WOULD BE MUCH HEAVIER IF THE LOSS OF SOVIET TRADE WERE ADDED TO SATRA'S BILL OF COMPLAINT. THEIR LAWYERS ARE ARGUING THAT SATRA HAD ONLY A LETTER OF INTENT, NOT A CONTRACT, BUT THE CONFIDENTIAL

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DOCUMENT IN QUESTION WAS SIGNED BY TWO PERSONS AND THE CONDITION OF "RATIFICATION" HAD BEEN MET. ANOTHER CONDITION, ADMITTEDLY, XI WAS ACCEPTANCE BY THE IOC, BUT THAT ORGANIZATION HAD NEITHER ACCEPTED NOR REJECTED.

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OZTEMEL'S LAWYERS HAD COMMENTED THAT MANY A DOCUMENT WITH LESS FORMAL SIGNATURE IS GIVEN CREDENCE IN INTERNATIONAL RELATIONS.

4. AFTER AMBASSADOR EXPRESSED SOME SURPRISE THAT SATRA WOULD FIND ITSELF IN TELEVISION FIELD, OZTEMEL EXPLAINED THAT SATRA HAS BEEN IN ENTERTAINMENT BUSINESS, MARKETING MOST US FILMS SHOWN IN USSR AND TRYING - UNSUCCESSFULLY- TO DISTRIBUTE SOVIET FILMS IN US. HE THEN STATED THAT SOME IMPORTANT PEOPLE - WHOM HE DID NOT IDENTIFY - HAD STOOD BEHIND SATRA, SINCE IT MIGHT HAVE BEEN A STEPPING STONE TO A FOURTH TELEVISION NETWORK.

5. RETURNING TO SATRA OPTIONS, OZTEMEL CONTENDED THAT SOVIET APPROACHES HAD REALLY BEEN MORE CARROT THAN STICK. HE SAID THAT SATRA MIGHT CONSIDER A SOLID AGREEMENT REGARDING CHROME, A CRITICAL SUBJECT MUCH IN DEMAND. SATRA WOULD LIKE ASSURANCE OF AT LEAST ONE MILLION TONS OF CHROME OVER A FEW YEARS. IF NOT CHROME, HE WONDERED, WHAT WAS THERE TO BUY? HE EXPRESSED INTEREST IN LEARNING FROM EMBASSY COMMERCIAL SECTION WHAT WAS WANTED BY THE US SIDE, SINCE THE SOVIETS WOULD CERTAINLY WANT TO OFFER CARS AND OTHER MANUFACTURED PRODUCTS OF CONFIDENTIAL

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DOUBTFUL SALES POTENTIAL FOR US MARKET. E/C COUNSELOR NOTED THAT DEVELOPMENT OF AMERICAN MARKET WAS PRIMARILY A SOVIET CONCERN - OZTEMEL DID NOT FULLY CONCUR - BUT SUGGESTED OZTEMEL MIGHT WISH TO RAISE GENERAL SUBJECT WITH USDOC. ASKED IF SHORT SUPPLY OF SOVIET CHROME MIGHT BE CONNECTED TO SOVIET INTENT TO CORNER WORLD MARKET, OZTEMEL SAID THAT SOVIET DIFFICULTIES STEM FROM SWITCH FROM SURFACE TO UNDERGROUND MINING OF CHROME ORE, WHICH HAD BEEN BADLY PLANNED. HE COULD STATE WITH ASSURANCE THAT IT WAS NOT AN EFFORT TO CORNER THE MARKET. IN TERMINATING THIS PART OF CONVERSATION, AMBASSADOR WISHED OZTEMEL LUCK BUT SAID HE WOULD HAVE TO DO THE SAME FOR NBC. OZTEMEL SAID NBC WOULD NEED THE LUCK MORE THAN SATRA.

6. OZTEMEL RELATED THAT PREMATURE PUBLICITY BY AMERICAN PRESS IN 1976 (PRINCIPALLY BUSINESS WEEK) HAD PREVENTED TRANSFER OF MINISTER OF FOREIGN TRADE PATOLICHEV TO POSITION OF ALEKSANDR N. SHELEPIN AS CHAIRMAN OF ALL-UNION CENTRAL COUNCIL OF TRADE UNIONS, WITH VLADIMIR ALKHIMOV MOVING UP IN PATOLICHEV'S PLACE. SOVIETS HAD THEN GIVEN UP LAN AND MOVED ALKHIMOV TO PRESENT POSITION AS CHAIRMAN OF GOSBANK. OZTEMEL, WHO HAS KNOWN ALKHIMOV SINCE HIS DAYS AS COMMERCIAL COUNSELOR IN SOVIET EMBASSY WASHINGTON "WHEN I WAS ALMOST HIS ONLY BUSINESS CONTACT," STATED THAT ALKHIMOV DOES NOT FEEL HIS MOVE TO THE STATE BANK WAS PREFERABLE TO THE ABORTED MOVE TO MINISTER OF FOREIGN TRADE.

7. OZTEMEL TOLD AMBASSADOR THAT SATRA WAS HANDLING

DISTRIBUTION OF SOVIET LADA AUTOMOBILES IN UK AND GERMANY, WITH 33,000 EXPORTS (APPARENTLY IN 1976). PLANS ARE UNDERWAY TO PLACE LADA ON AMERICAN MARKET. IT ONCE FAILED THE REQUIRED TEST, BUT ONLY DUE TO A BROKEN CONFIDENTIAL

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PISTON RING. HE EXPECTED THE EMISSION CONTROL TEST TO START IN SEPTEMBER, 1977, AND TO REQUIRE ABOUT FIVE TO SIX MONTHS FOR APPROVAL. ASKED ABOUT SELLING PRICE, OZTEMEL SAID THAT THIS DEPENDS ON TIMING: TWO YEARS AGO THEY HAD BEEN THINKING OF A \$3,000 PRICE TAG. HE HOPED TO BE ABLE TO SELL 60,000 AUTOMOBILES ANNUALLY ONCE THE LADA IS ACCEPTED ON THE US MARKET. SUBSEQUENTLY ELABORATING THIS POINT TO E/C COUNSELOR ON WAY OUT, OZTEMEL STATED THAT CRACKING GERMAN MARKET WAS IN MANY RESPECTS TOUGHER THAN US. EVEN THE JAPANESE HAD NOT SUCCEEDED, BUT LADA WAS SELLING. SKILLFUL SOVIET HANDLING HAD FACILITATED THIS RESULT. UNFORTUNATELY, MUCH OF THE CREDIT WAS DUE TO VLADIMIR PETROV, WHOSE FUNERAL HE HAD ATTENDED THE DAY BEFORE. (COUNSELOR NOTED LARGE PLAQUE TO PETROV, SURROUNDED BY AN UNUSUALLY LARGE DISPLAY OF FLOWERS, IN MINISTRY OF FOREIGN TRADE AUGUST 18; HE HAD BEEN CHAIRMAN OF V/O AVTOEKSPORT.)

8. OZTEMEL ALSO TOLD E/C COUNSELOR THAT SOVIET PRACTICE IN BUYING OUT SATRA/BELARUS TRACTOR FIRM WOULD NOT CONDUCE TO FUTURE ENTREPRENEURSHIP BY AMERICAN BUSINESSMEN. EVEN THOUGH SATRA HAD BEEN PAID \$5.5 MILLION FOR ITS SHARE, SATRA HAD DONE THE WORK IN OPENING THE MARKET. FEW BUSINESSMEN WOULD WISH TO UNDERTAKE SUCH DEVELOPMENT ACTIVITY FOR THE SOVIETS, ONLY TO BOUGHT OUT ONCE SUCCESS WAS ATTAINED. HE PREDICTED THAT NEW SOVIET TRACTOR COMPANY IN US WOULD LOSE \$10 MILLION IN FIRST YEAR. ITS OFFICIALS WOULD NOT ACCEPT THE BLAME FOR THIS, HE PREDICTED, BUT WOULD FIND SIXTY REASONS TO BLAME OTHERS FOR THE OUTCOME.

9. COMMENT: ALTHOUGH HE COMES MONTHLY TO USSR, OZTEMEL GENERALLY AVOIDS ANY CONTACT WITH US EMBASSY. HIS CALL ON THE AMBASSADOR WAS UPON OZTEMEL'S PERSONAL REQUEST, AND THE PURPOSE WAS CLEARLY TO SET OUT SATRA'S SIDE OF THE TELEVISION RIGHTS STORY. AMBASSADOR, WHILE GIVING OZTEMEL A FULL AND OBJECTIVE HEARING, OF COURSE MADE IT CLEAR CONFIDENTIAL

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THAT EMBASSY COULD NOT BECOME INVOLVED IN ANY DISPUTE BETWEEN AMERICAN COMPANIES. IN TURN, OZTEMEL FULLY

COMPREHENDED THIS POINT. WE FIND IT INTERESTING THAT SOVIETS, WHO SEEM TO HAVE USED THEIR OLD TRADING FRIENDS AS A STALKING HORSE IN THIS CASE, NOW APPARENTLY ARE THEMSELVE CAUGHT IN THE MIDDLE OF THE DISPUTE. ALTHOUGH OZTEMEL CONTENTED THAT THE CARROT WAS MORE IN EVIDENCE THAN THE STICK, WE WONDER WHAT THE SOVIETS HAVE TO OFFER SATRA IN THE COMMERCIAL AREA THAT THEY ARE NOT PRESENTLY GIVING. ON THE OTHER HAND, THEIR STICK IS NOT TOO IMPRESSIVE,EITHER, BECAUSE OF SATRA'S PRINCIPAL ROLE OF A BUYER IN A MARKET WHERE THE SOVIET SIDE OF THE TRADE BALANCE HAS BEEN SO EMBARRASSINGLY LOW.
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Message Attributes

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